

Message Text

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PAGE 01 OTTAWA 03854 022131Z
ACTION EUR-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /130 W
-----061489 022135Z /23

P 022124Z AUG 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 8269
INFO AMCONSUL CALGARY POUCH

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PASS DOE/IA FOR ALBERT

E.O. 11652: N/A
TAGS: ENRG, CA
SUBJECT: CANADIAN NATURAL GAS PRICE

REF: OTTAWA 3778

1. FEDERAL ENERGY, MINES AND RESOURCES MINISTER
ALASTAIR GILLESPIE AND ALBERTA ENERGY MINISTER DONALD
GETTY ANNOUNCED JOINTLY AUGUST 1 FEDERAL-
PROVINCIAL AGREEMENT INCREASING DOMESTIC NATURAL GAS
PRICE BY 15 CENTS PER MCF. ONE YEAR AGREEMENT INCREASES
TORONTO GATE WHOLESALE PRICE FROM DOLS 1.85 TO DOLS 2
PER MCF, INCREASES IMPUTED ALBERTA BORDER PRICE FROM
DOLS 1.37 PER MCF TO DOLS 1.41 PER MCF, AND MAINTAINS
GAS PRICE AT 85 PERCENT PARITY WITH DOMESTIC CRUDE.

2. BOTH GOVERNMENTS AGREE TO REVIEW GAS PRICING AGREEMENT
AS HIGHER, PREVIOUSLY-AGREED DOMESTIC OIL PRICES ARE
PHASED IN. AGREEMENT APPEARS TO DE-EMPHASIZE POSSIBILITY
OF HIGHER GAS PRICES IN FUTURE BY PROMISING TO COMPLETE
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THIS YEAR STUDY OF COMPETITIVENESS OF WESTERN CANADIAN
GAS SUPPLIES IN VIRTUALLY ENTIRE CANADIAN MARKET. STUDY
WILL LOOK AT ADVISABILITY OF MAINTAINING 85 PERCENT RATIO
WITH DOMESTIC OIL PRICE AND AT SAME TIME WILL TRY TO
DETERMINE WHETHER FUEL IS "REASONABLY VALUED" AT
CURRENT AND PROJECTED WHOLESALE PRICES IN MARKET SERVED
BY ALTERNATIVE ENERGY SUPPLIES. PARTICULAR ATTENTION

WILL BE GIVEN TO POSSIBILITY OF DEVELOPING MARKETS IN
EASTERN CANADA TO REPLACE IMPORTED OIL WITH DOMESTIC
GAS AND THEREBY PROMOTE NATIONAL OBJECTIVE OF ENERGY SELF-
RELIANCE.

3. COMMENT: DURATION OF NEW AGREEMENT IS SOMETHING OF
A SURPRISE IN THAT PREVIOUS PRICE INCREASE AGREEMENTS HAVE
BEEN FOR SIX-MONTH PERIOD. ONE-YEAR DURATION AND EMPHASIS
ON GAS MARKETING STUDY MARK AGREEMENT AS STANDSTILL
MEASURE WHICH RECOGNIZES INCREASED DIFFICULTY OF
PROMOTING WESTERN CANADIAN GAS SALES IN COMPETITION WITH
SUBSIDIZED OIL IMPORTS AND PROBLEM OF MAINTAINING 85 PER-
CENT PRICE PARITY WITH DOMESTIC CRUDE.

4. PRESS RELEASES AND RELATED DOCUMENTS FOLLOW BY POUCH
TO EUR/CAN, EB/ORF/FSE, DOE/IA AND DOE/FERC. DUEMLING

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Message Attributes

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